

THE CONSERVATION
OF THE WATER POWER
OF ONTARIO

ADDRESS

HONOURABLE ADAM BECK, M.P.P.

BEFORE THE COMMISSION FOR THE CONSER-

VATION OF NATIONAL RESOURCES.

AT OTTAWA.

ON THE NINETEENTH DAY OF JANUARY.

1910.

THE CONSERVATION OF THE WATER

POWERS OF ONTARIO

Mr. Chairman and Gentlemen:-

I count it an honour and a privilege to address the Commission for the Conservation of National Resources. I do not think I will err in ascribing your generous invitation to the fact that I have been associated in my own Province, the Province of Ontario, with the effort which has been in progress there for some years back, to conserve, as far as possible, but with due regard to its vested interests, the valuable water powers of that Province.

The object lesson which the policy of the Government of the Province of Ontario has furnished in the conservation of natural resources has attracted considerable attention throughout the world, and it is perhaps fitting that at the beginning of the career of the National Commission, whose duties are of the highest and most responsible character, I should endeavour to set forth, in some brief but orderly fashion, the basis and progress of a similar movement on a smaller scale in my own Province.

I will ask you, therefore, to accompany me in thought while I sketch, as briefly and clearly as the character of my subject permits

- (1) The antecedents and origin of the Hydro-Electric Power Commission over which I have the honor to preside;
- (2) The scope of the legislation creating the Commission;
- (3) The scope, progress and value of the undertaking with which the Commission is charged;
- (4) The effect upon vested interests of the work of the Commission; and
- (5) The probable future of the Commission.

(1) Antecedents and Origin of Power Commission.

The Hydro-Electric Power Commission of Ontario was born of a wide-spread public demand that provincial steps should be taken to preserve and develop the people's rights in the provincial water powers, and to protect them from the baneful effects of monopoly prices. The harnessing of Niagara Falls had been the dream

THE UNITED STATES OF AMERICA

IN SENATE

COMMITTEE ON FOREIGN RELATIONS

I have the honor to acknowledge the receipt of your letter of the 10th inst. in relation to the proposed amendment to the Nationality Act, and in reply to inform you that the same has been referred to the subcommittee on Naturalization, and that the same will be reported to the committee at an early date.

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I am, Sir, very respectfully,
Your obedient servant,
J. H. McLaughlin

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of engineers for a long time. Like other dreams of the leaders of thought and progress among the people, on questions of national import it interested the public by slow degrees. The various efforts that were made from time to time to form companies for the generation of electric power at the Falls stimulated the interest, and when at last the manufacture of electrical transmission apparatus had sufficiently advanced to permit of the commencement of large hydro-electric installations, the economic possibilities of the Falls took a stronger hold upon the public mind. The value of cheap electric power to a Province dependent upon the coal fields of Pennsylvania and its trusts, for supplies, was and is, sufficiently obvious.

One of the first definite expressions of public interest in the question occurred in the spring of 1900, when the Toronto Board of Trade appointed a committee to investigate and report upon the power question. The Committee, which was presided over by the late Mr. W.B.H. Massey reported that the manufacturers' hope for cheap power in the south-western part of the Province depended for realisation upon the utilization of the resources of Niagara Falls. The report of this committee was followed by increasing public interest, and in the early part of 1902, voluntary meetings were held in many cities of the Province, which, together with the support of the Canadian Manufacturers' Association and numerous Boards of Trade, served to rivet public attention on the matter.

A meeting of manufacturers was held at Berlin in June, 1902, at which representatives from Toronto, Galt, Ouelph, London, and a number of other centres, were present, the object being that of discussing and furthering the best method of securing electric power for manufacturing and other purposes from Niagara Falls. Early in 1903 the City of Toronto made application to the Legislature for authority to generate and transmit Niagara Falls power for the users of the city. The Application, however, was refused.

To pass rapidly over intervening events, it is sufficient to say that as a result of the decisions of and action initiated by the aforementioned and subsequent meetings of manufacturers and municipal representatives, an Act was passed by the Ontario Legislature the following year (in 1903) which authorized Ontario municipalities to appoint a Commission to inquire into the desirability of securing the establishment and operation of municipal light, heat and power works, and to establish the same. Immediately after the passage of the Act in question, the municipalities of Toronto, London, Brantford, Stratford, Woodstock, Ingersoll and Ouelph exercised their powers and appointed a Commission to inquire into the best mode of developing power for their needs, and to estimate the cost thereof. The Commission was composed of Mr. E.W.B. Snider of St. Jacobs, Mr. F.W. Ellis of Toronto, Mr. W.F. Cockshutt of Brantford, Mr. E.A. Fessenden, a Canadian electrical engineer then residing in Washington D.C. and myself. Mr. Snyder was appointed the Chairman of the Commission, and Messrs Ross & Holgate of Montreal, the well-known and highly capable firm of electrical and hydraulic engineers, were appointed by the Commission to investigate and report upon the engineering aspects of the whole matter. Incidentally it may be observed that the Commissioners served from a sense of public duty, neither seeking nor accepting any remuneration for their services.

The report of this Commission was issued on the 20th of March, 1906 and by general consent it set forth, for the first time, an authoritative and exhaustive exposition of the whole question of the commercial value to the Province of Ontario of its great natural water powers, when utilized for the generation and transmission of electric power.

It contained, among other things, a reliable estimate of the power consumption of the district embraced, the cost thereof when produced from coal and steam the capital and operating costs of a large generating plant at Niagara Falls, combined with the necessary transmission lines throughout the district in question, and the enormous financial savings and economic stimulus that would result from the carrying out of such a plan of generation and transmission as was therein recommended.

It became evident during the later stages of the work of this Commission, and also in the discussions which followed the publication and distribution of the report among the municipalities, that certain serious difficulties of procedure were inherent in any plan which depended for its final accomplishment upon purely municipal initiative. The Government of the then Hon. Mr. Whitney, which in the meantime had been formed, recognizing these difficulties, appointed, partly in obedience to the public opinion of the time, and partly from an spontaneous recognition of the importance of the water power question, a new Commission to make still further inquiries. This Commission was composed of Mr. Geo. Pattinson, M.P.P. of Preston, Mr. P.W. Ellis of Toronto, and myself. Subsequently Mr. Ellis retired because of ill health, and Mr. Milne of Hamilton took his place.

Further investigations were made into the location and value of the provincial water powers by this Commission, the effect of which was to add greatly to the general fund of reliable information on the subject, and as a final result of all the inquiries, reports, discussions, and public agitation, the Hydro-Electric Power Commission of Ontario was, in obedience to and with the full force and sanction of an overwhelming body of public opinion, formally created by statute, on the 14th of May 1906, its powers, however, being revised and amplified by a subsequent Act passed on the 20th of April, 1907. This Commission was originally composed of the Hon. Mr. Hendrie of Hamilton, Mr. C.B. Smith and myself. Subsequently Mr. Smith resigned, and Mr. W.E. McNaught, M.P.P. of Toronto, was appointed in his place. To the Commission thus constituted -- with Mr. P.E. Sothman as Chief Engineer -- has been confided the task of carrying out the great scheme which I will presently describe more fully.

It will be observed from this brief and rapid outline sketch that the Hydro-Electric Power Commission, whether it be, as is so often represented on the one hand, a priest and prophet of evil, or as less frequently represented but perhaps more deeply felt on the other hand, a great and potent agency for the public good, does not represent a policy which is the sole and exclusive creation of any single man or government, but rather a policy which embodies the judgment of an

intelligently instructed public opinion, the cumulative force of which made itself felt through all the organs of the public voice upon the general mass of men without distinction of party.

I ought, however, before leaving this branch of my subject, to note that the great potentialities of Niagara Falls as a power reservoir, had at an earlier stage fastened themselves upon the imagination of the Government of the Hon. Mr. Ross, which endeavoured by a system of regulation to do something for the public welfare in regard thereto. The legislation of that Government, however, which was intended among other things, as between the companies then in existence, to protect the public interest by prohibiting amalgamations, pooling, and the carrying out of arrangements to maintain or increase prices, proved inadequate. Not only were the Government proposals incapable by their very nature of effective application, but they failed to make provision for the prevention of a system of subdivision of territory between the companies, which, whether ordered by nature or effected by arrangements between them, constituted the Electrical Development Company and the Hamilton Cataract Power Company the master monopolists of electric power in the Niagara peninsula.

I do not wish to be understood as endeavouring by these remarks to make any political capital out of this matter. Nothing is further from my thoughts. No government can safely and effectively prevent the making of arrangements designed to maintain certain price levels when the parties thereto are few in number. There is no satisfactory and infallible method of proving "paroles" or "Gentlemen's" agreements, and therefore there is no satisfactory method of preventing or penalizing them.

(2) SCOPE OF LEGISLATION

The powers conferred by legislative authority upon the Commission may be broadly described as follows- It is duly authorized to investigate and report to the Lieutenant-Governor in Council, upon any and all hydraulic hydro-electric and other power undertakings whether developed or undeveloped throughout the province; to inquire and report upon the Ontario Branches of power undertakings originating outside but bringing power within the boundaries of the Province; to inquire and report upon the power and lighting needs of the Province in all its parts; and upon the authority of the Lieutenant-Governor in Council to purchase, lease, expropriate or otherwise acquire lands, water powers and water privileges; to purchase, lease, expropriate, construct or otherwise acquire generating, transmitting, and distributing plants and works and to operate same; to expropriate the power produced of, or to contract with, any person, firm or corporation for a supply thereof; and to enter into all necessary arrangements with Ontario municipalities or other corporations including railway and distributing companies, for the fullest exercise of these powers, with the object of providing adequately for the supply of the power and lighting needs of the Province at the lowest possible cost. Authority is also given to the Commission to control the rates charged by municipalities upon the sale of power purchased from it, with the object of preventing excessive charges to the public or the veiled bonusing of favoured undertakings, to

it-Governor in Council to borrow, on the credit of all moneys required to carry out the various Commission.

It became necessary, however, during the legislative session of 1908 and 1909, to procure some auxiliary powers in order to proceed with the undertaking; and to secure the execution of certain contracts, including some municipal contracts in regard to which systematic efforts were being made to prevent their completion, and to block and jeopardize thereby the whole undertaking.

These powers thus briefly summarized are wide and important, and cast upon the Commission a high degree of responsibility. Properly used they will greatly develop the latent wealth of the Province and distribute its benefits among the mass of the people. The legislation has provoked much antagonism; and in certain quarters it has been strongly and persistently criticized as an improper exercise of legislative authority.

It has been contended that in certain parts it is ultra vires of the Legislature of Ontario; and even though intra vires, it is as a whole indefensible from the standpoint of public morality which calls for adequate protection of vested interests and sanctity of private contracts; and that, in any event, governments and their creature commissions are inherently incapable of operating business undertakings in a businesslike way, and therefore from the economic point of view it is unsound, and involves penalizing the public in the very service it was designed to promote.

I am not concerned here to argue the constitutional question. That may be left to lawyers. It is improbable that the profession will become extinct, or that the Law Courts will be closed in the immediate future, through unanimity of legal judgment on this or any other constitutional question. Suffice it to say, that we are advised the legislation is well within the rights of the Province, and on that view we are disposed to maintain them. I would like, however, to consider shortly the moral aspect of the question. The essence of this criticism -- which has been chiefly provoked by the building of a transmission line in the south-west part of the Province -- touches two main points viz., the right of the Government to employ public moneys in constructing and operating undertakings which may compete with those established by private enterprise, and the right of the Government to stay actions and to validate contracts. Now, on these questions I would first of all point out that the Government of Ontario in authorizing the Commission to construct these electrical transmission lines, has in reality appointed the Commission an agent for, at the request of, certain municipal corporations. The undertaking which is in course of construction is, for reasons of economy and expedition, being built, and will on completion be operated by, the Commission, on behalf of certain municipal corporations who will also pay for it. The Government is practically making a secured loan to the municipalities for the amount of the cost of the undertaking, which, with interest, is to be repaid by the municipalities by annual instalments, within thirty years. Meantime, of course, the operating

expenses are, in the form of rentals, likewise payable by the municipalities. Neither the Commission nor the Government as such, makes or accumulates one cent of profit or revenue out of the undertaking. It is wholly and only conducted for the benefit of the municipalities. I make this point clear in the interest of clear thinking. It is a municipal enterprise conducted by the Commission at the request of and as the appointed agent of the municipalities, and at their cost and risk. It is not a direct Government undertaking organised and conducted on behalf of, or for the benefit of the Government. In the second place I would observe that so far as my knowledge goes, the contention that governments are barred from employing public moneys for the furtherance of undertakings that may conceivably compete with those of private enterprise has no such sacred sanction as its exponents pretend. I do not understand that any revelation has ever been made from Heaven to the effect that a Democratic Government commits the unpardonable sin when it assists in the establishment of great and necessary public works for the well-being of the people of whose interests it is the trustee.

I am not aware that the people of the Dominion of Canada violated any moral law in building the Intercolonial Railway, or that the people or Government of the Province of Ontario did so, in building the Remickhaming Railway. It is true that the history of the Intercolonial Railway has not been a continuous history of increasing surpluses. I have heard it said that there has sometimes been a deficit, and of course it may be contended that the deficit itself is an evidence of such violation. I do not think however, that such reasoning will stand in any atmosphere except that of a political election. The best of men, as well as the best of projects, often meet loss in this world. The fact of the matter is that theories of private property, and of the limits of state interference, are as plentiful as the generations, and as varied as the schools of men; and it is grotesque that a single class of people should select that particular theory best suited to their exclusive interests, clothe it with the sanctity of a religious system, set it up for worship among men, and then proceed to entrust a government which ventures to give a prior place to the authority of reason and the principles of justice, in the shaping of measure for the well-being of the people at large. The collective holding and the nationalisation of certain forms of property rest upon a moral basis quite as secure as that of private ownership of property. No man in his senses believes that it is wrong to prevent the people being injured by monopolies; or to develop public resources with public money for the public good. As a matter of fact, however, the Commission does not compete with private companies in the generation of power, and while it is sure that the transmission lines of the Electrical Development Company are being duplicated between Niagara Falls and Toronto, that Company has long term contracts with the Toronto Electric Light Company and the Toronto Railway Company, its sole Toronto customers for power, and these contracts are not being disturbed in the remotest degree. In no other part of the Province is there any transmission line, worth the name, owned by private enterprise, with which the Hydro-Electric Commission will compete. There has therefore been no interference with existing contracts. It has been said that the project violates a covenant given by a prior Government. The reply is simple -- it does not; for no such covenant has ever been given.

The Commission has contracted to purchase the power it required either at the generating stations or at the termini of the transmission lines of certain existing private companies, and it is thereby taking the position of a customer and supporter of such companies, at a reasonable rates, rather than that of a competitor and assailant.

In the third place, I would observe that the special legislation to stay certain actions which were intended to block the expressed will of the people, and to validate certain contracts, were notwithstanding assertions to the contrary, normal exercises of the legislative power.

If it is competent to the Provincial Legislature to prescribe the procedure by which municipal councils may ascertain and give effect to the wishes of the people, it is equally competent to the Legislature to vary the procedure when it is being employed by unexpected methods to block the wishes of the people; and in this case it was done at the request of the municipalities concerned. If you will take the trouble to read the masterly report prepared by the Hon. Mr. Foy, the Attorney-General of the Province, upon the actions stayed and the contracts validated, and which has recently been transmitted to the Federal Government, I think you will agree with me that this particular complaint rests upon a very insecure foundation.

I pass now to the consideration of the third ground of complaint, viz: that governments and their creature commissions are inherently incapable of conducting efficiently, business undertakings and that in consequence thereof the public will be penalized instead of benefited by the effect of the legislation in question.

If this is the general rule of government experience then in the Province of Ontario we must have an exceptionally capable Government, because we do not admit for one moment that we have had any such experience, or that there is the slightest foundation for these charges of prophets of evil. As a matter of fact, however, broad generalisations on questions of this sort are of no value. It is absurd to contend that effective and economic corporate action cannot be procured among men. The highest degree of administrative skill is found among corporations. Government action and Hydre-Electric Commission action are forms of corporate action. It has not been decreed that one form of corporate action shall exhibit all the virtues and powers and another form all the vices and intecillities of men. The quality of corporate action depends on the character and calibre of the men, and not upon the type or purpose of the corporation. History sustains the theory of effective government management quite as strongly as it sustains the theory of ineffective government management.

As a matter of fact, under our modern democratic system, which ensures the constant employment of the service of the State of a large part of the best brains of the country, it is ridiculous to assert that such brains are barred by the mere atmosphere of the service of the State from that efficiency of conduct which would characterize them in the atmosphere of private life.

The Government has endeavored to maintain the highest standard of efficiency in its various departments and to ensure that the public interest is always paramount. It has endeavored to ensure that the public interest is always paramount.

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In this particular project, however, it is to be noted that the enterprise is of the highest technical type, both by reason of the nature of hydraulic and electric problems, and by reason of the scale upon which the Hydro-Electric Commission is dealing with them.

The scheme of transmission is the largest in the world, and electric power will be transmitted at the highest voltage known to the art, viz., 110,000 volts. I do not think that there is any other power transmission undertaking in operation in the world today at 110,000 volts. It is however, possible that by the time this project is completed, there will be one other 110,000 volt transmission plant in existence.

Whether or not, however, I am strictly correct on this point, it is clear that the operation and government of the undertaking calls for the employment of engineering talent of the highest order, and of the most highly specialised type. An executive staff of the necessary high and rare capacity may be relied upon to work on a corresponding level of efficiency, whether in the employment of the State or in the employment of the private individual.

To sum up: the objections that have been taken to the legislation in question, and which are dignified with the high-sounding names of "constitutional", "moral" and "economic" objections, are all, according to my humble way of thinking, explicable on a very simple principle. It seems to be a universal characteristic of human nature that where 5% is being made 6% should be striven for, and when 6% is earned, 7% should be aimed at, and so on, in an increasing but never diminishing ratio. Under the influence of this principle of human action, it is natural for those interested in any department of commercial activity, to object to anything and everything that would curtail or threaten to curtail their immediate or prospective returns, and all these high-sounding objections, or nearly all of them, could probably, if one had the time or the inclination, be traced to the motive of self-interest in the class or classes affected.

(3) THE SCOPE, PROGRESS AND VALUE OF THE UNDERTAKING.

The field for the activities of the Commission comprises the whole of the Province of Ontario. It is, however, proceeding with its enormous and responsible task in a rational way. It was the public recognition of the great needs of the manufacturing districts of Western Ontario and the vast untapped reservoir of Niagara Falls that led, as has already been explained, to the creation of the Commission, and it was, therefore, natural and proper that to this particular part of the field the attention of the Commission should be first directed.

Before sketching the physical project which is in process in the district name, I should, however, mention that contracts have been made for the purchase of power from existing companies at Ottawa and Port Arthur, and for the sale thereof to the municipalities of

Ottawa and Port Arthur. These have been productive of great satisfaction in those districts.

In the city of Ottawa, for years prior to 1901, the following rates were charged by the Ottawa Electric Company, viz:-

House lighting -- 15 cents net per kilowatt hour. Street lighting -- \$45 per arc lamp per annum. Motive power -- \$40 and upwards per H.P. per annum, during which time, I have been informed the company paid no dividends.

In addition to settling an acute triangular struggle within the City of Ottawa, the particulars of which it is not necessary to repeat to an Ottawa audience, the Commission contracted in July, 1907, for the purchase of power from the Ottawa and Hull Power and Manufacturing Company, whose generating works are in the Province of Quebec, for a period of ten years, at the price of \$15 per H.P. per annum and for the sale thereof on the same terms to the city of Ottawa.

Prior to this the city's right to purchase current direct from a power company had been successfully assailed in the Courts, and it was therefore left with a distributing plant on its hands, but without any source of supplies. As a result of the mediation of the Commission, the city has, since 1907, been enabled to procure an abundant supply of power at a price which in turn has permitted the continuance of a schedule of prices as follows:-

House lighting -- 7-1/5 cents net per kilowatt hour, or a reduction of 56% on the prices of 1901;

Street Lighting -- \$45 per arc lamp per annum, or a reduction of 51% upon the prices of 1901;

Motive power -- \$45 per H.P. per annum, or a reduction of 57% from the prices of 1901,

And the reduction in prices has so stimulated consumption that together with the increased demand which has accompanied the growth of the city, the business both of the city and the Ottawa Electric Company has greatly increased; the company now paying 6% dividends on its outstanding capital stock of \$1,000,000, and having in the year ended 31st December, 1908, added an ample surplus over and above to its reserve account.

The gross revenue of the city electric plant for 1908 was over \$106,000 with a net profit of over \$17,000 after paying interest and making provision for an adequate sinking fund to retire the capital invested.

In the city of Port Arthur a most unsatisfactory state of affairs as between the municipality and the Kaministiquia Power Company has been terminated by similar mediation on the part of the Commission. As a result thereof the Commission has contracted to take its supply of power from the Kaministiquia Power Company and to sell the same to the city of Port Arthur on terms which are eminently satisfactory to both the vending power company and the purchasing municipality.

It may also be worth while describing a very interesting situation which developed in Hamilton, and the result thereof. The

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Commission did not at the outset expect to render such service to the people of Hamilton by reason of the Hamilton Cataract Company's control of the De Sore Falls power, which is situated quite close to the city, and which is the cheapest development in the Province, the original source being the Welland Canal.

To take other power into Hamilton was like taking coals to Newcastle. It was found, however, upon investigation, that Hamilton prices for power and lighting services were higher than in Toronto, where the power was generated from steam plants. The scale was as follows;

Service	Hamilton	Toronto
House Lighting	10 cents K.W.	8 cents K.W.
Commercial Lighting	15 cents K.W.	12 cents K.W.
Arc Lamps	\$84 per annum	\$69.35 per annum

Upon the expiry of the city lighting contract, tenders were called for and submitted on the basis of \$80 per arc light per annum with a ten-year franchise, or \$85 with a five-year franchise. The City Council then asked the Commission to submit prices, whereupon it estimated the cost of arc lights at \$43 per annum. The Company then came down to a \$47 rate, and got the contract for five years. Subsequently the city called for prices on power for water works and sewage disposal, which were tendered by the Cataract Company at \$45 per H.P. per annum, and estimated by the Commission at \$17.50 per H.P. per annum.

The Cataract Company then offered to supply the city at rates 10% less than those charged by the Commission to any municipality.

Both offers were submitted to the ratepayers, and, as a result, a contract with the Commission was duly authorized and executed.

It is worth while noting at this juncture that the advent of the Hydro-Electric Power Commission to the electric power scene is of the cities of Hamilton, Ottawa and Port Arthur has not been productive of that destruction of private interests that has been so freely and recklessly predicted. On the contrary, in these municipalities, the offices of the Commission have resulted in strengthening, but on a sound and healthy basis, the position of the private power companies while securing material benefits to the public consumers of light and power.

Coming now to the Niagara peninsula and Western Ontario, I will proceed to outline, as rapidly as possible, the main features of the project in process. The Commission has entered into a contract with the Ontario Power Company to purchase not less than 8,000 H.P. and as much more as it required up to 100,000 H.P. for a term of ten years, with provision for three extensions for additional periods of ten years each, at the price of \$9.40 per H.P. per annum up to 25,000 H.P. and \$9 per H.P. per annum if the quantity taken exceeds 25,000 H.P. The power is to be delivered by the Ontario Power Company to the Commission at Niagara Falls at 12,000 volts, and the

prices cover a 24 hour continuous service.

The physical project begins with a transformer station at Niagara Falls to take delivery of the power at 12,000 volts. Thence a 60,000 H.P. double transmission line operating at 110,000 volts conveys the current to a controlling station at Dundas, whence the line is continued east to the city of Toronto without -- in the meantime -- any intermediate station. From the controlling station at Dundas a double line of the same capacity and voltage is continued via Woodstock and London to St. Thomas, with local transformer stations at these points. From the same central controlling station at Dundas, a similar line proceeds north and west via Guelph, Preston, Berlin, Stratford, St. Mary's and on to London, with local transformer stations at each of these points. The whole high voltage line thus described comprising about 300 miles. At each of the said local transformer stations the voltage is reduced to 13,000 for the purpose of supplying by additional local feeder lines the different municipalities in the vicinity thereof. The effect of this method of distribution is to make it possible from the high voltage circuit above described, in combination with the low voltage local distributing lines, to supply the needs of practically every municipality within the district at the four corners of which are Toronto, Niagara Falls, St. Thomas and Stratford.

The ultimate termini of the said high voltage transmission lines, as determined by economic limits, will be Windsor in the west and Kingston in the east, the additional territories to be tapped by such extensions to be fully fed in turn by a continuance, where necessary, of the local low voltage distributing lines. This will cover the whole of the south-west of Ontario from Kingston to the Georgian Bay and south, leaving the north-eastern part of the Ontario, from North Bay to the St. Lawrence River, to be covered by a similar system, which in due time will doubtless be established at the most appropriate generating points within the district.

The present arrangements of the Commission include the supplying of fifteen municipal corporations with their respective power needs, up to an aggregate of approximately 27,000 H.P. over the lines described and now under construction, viz:-

Toronto	10,000	H.P.
London	5,000	H.P.
Guelph	2,500	H.P.
St. Thomas	1,500	H.P.
Woodstock	1,200	H.P.
Galt,	1,200	H.P.
Hamilton	1,000	H.P.
Stratford	1,000	H.P.
Berlin	1,000	H.P.
Waterloo	685	H.P.
Preston	600	H.P.
St. Mary's	500	H.P.
Ingersoll	500	H.P.
Hespeler	400	H.P.
New Hamburg	250	H.P.

Provision has been made for the supply of larger quantities, from time to time, as they are required, and also for the extension of the service to all the municipalities within the area which it is proposed to feed from Niagara Falls.

The municipalities have agreed to pay the Commission for the power in question on the following basis, viz:-

- 1st. The contract price of the Ontario Power Company at Niagara Falls, plus
- 2nd Four per cent, per annum upon that part of the construction cost which is properly applicable to each participating municipality, plus
- 3rd An annual amount sufficient to create a sinking fund which in thirty years shall completely pay for that portion of the construction cost which is applicable to each municipality, plus
- 4th That proportion of the line loss and the general operating and maintenance charges which is properly applicable to each municipality.

The annual inclusive rates, so computed, payable by each municipality, have been carefully estimated and reduced to the following H.P. scale, viz:-

Toronto	\$18.10 per H.P. per annum
London	23.50 per H.P. per annum
Guelph	24.00 per H.P. per annum
St. Thomas.	26.50 per H.P. per annum
Woodstock	23.00 per H.P. per annum
Galt	22.00 per H.P. per annum
Stratford	24.50 per H.P. per annum
Berlin	24.00 per H.P. per annum
Hamilton	17.50 per H.P. per annum
Waterloo	24.50 per H.P. per annum
Preston	23.50 per H.P. per annum
St. Mary's	23.50 per H.P. per annum
Nespeper	26.00 per H.P. per annum
New Hamburg	23.50 per H.P. per annum

These rates are for power delivered at the municipal substations at 12,000 volts. Each municipality assumes the responsibility for acquiring or providing the necessary local distributing system, and the maximum cost to the consumer on the above consumption will be the above prices plus the respective local distributing costs.

While the intricacies that enter into any comparison between the cost of electric and steam power of the varied character and on the scale dealt with herein, are such as to make those most familiar with the question particularly chary about instituting them, it would be a pity to leave this branch of my subject without endeavoring to state in at least roughly approximate figures, the monetary value to the

community of the savings effected thereby, as compared with a corresponding supply of electrical power derived from coal and steam plants located at the sites of the respective corresponding municipal sub-stations.

While, therefore, I do not put forward the figures I am about to submit as an exact estimate of the difference, I do submit them as an approximate statement of the difference, and therefore of the economic value of the undertaking as limited to meet only the stated needs of the municipalities referred to. The exact quantity of power contracted for amounts to 27,350 H.P. which at the various rates given, averages as nearly as possible \$22 per H.P. per annum. This, you will bear in mind, is the cost of power available for continuous consumption during the whole round of 24 hours daily. Now if coal and steam plants were erected on the proposed sites of the various municipal sub-stations for the purpose of developing the same quantities of electric power for a continuous 24 hour full load service, the average cost of such would amount to certainly not less than \$60 per H.P. per annum. (a monopoly would fix the price of electric power at just under the coal steam cost, or whatever the traffic would bear.) The difference is \$38 per H.P. per annum, which on a consumption of 27,350 H.P. amounts to \$1,039,300 or say \$1,000,000 per annum. As the consumption increases, the unit of cost of course decreases with the effect of greatly swelling the unit and aggregate savings. The capitalized value at 5 per cent, of savings amounting to \$1,000,000 per annum is \$20,000,000. That is to say, that if the consumers in question desired to exchange their annual savings of \$1,000,000 for a present single payment in hand, they would receive from anyone wishing to make a 5 per cent, investment therein the sum of \$20,000,000 for them.

The true economic value of these savings cannot, however, be calculated, because they will be employed from year to year in extending the trade, and in increasing the competitive efficiency of all engaged therein. The investment and reinvestment of such increasing income-bearing advantages, cannot be stated in monetary terms. But it is obvious that in these days of increasing international industrial competition their value --- when made available for the people of the whole Province -- is of incalculable consequence, and the conception of which they are begotten is of corresponding dignity.

I should also note that had this matter been left exclusively in the hands of private companies, their tendency would have been to get the easiest market for their output by inducing manufacturers to settle within easy distance of Niagara Falls, and by selling in large blocks to large users.

Under the policy of the Commission, the benefits are being distributed throughout the Province to large and small users alike, thus contributing to a well balanced and general development, rather than an abnormal expansion of one district at the expense of others.

The progress of the work to date may be rapidly described. The sub-stations are all practically completed, so far, that is, as the buildings are concerned. Of the transmission line towers, about one-half are erected, and the balance will be erected within five or six

months. The electrical equipment is under construction, and should be completed and installed within six months. Power service will be furnished each municipality in order of completion, and all should be supplied within six months. Meetings of the Municipal Engineers concerned have been held at frequent intervals during the past year, with the object of standardising all possible features of the undertaking e.g. the establishment of a uniform scale of power and lighting rates, subject only to different discounts, to provide for differences in general conditions, is being aimed at, together with a uniform system of accounting and the standardisation of the technical equipment of the municipal distributing systems. By these means it will be possible to compare accurately the relative efficiency of each municipality and develop in the fullest degree the art of competitive efficiency. All the local municipal distributing plants are likewise under construction. Mr. H.A. Ross of Montreal, has acted throughout as the Consulting Engineer of the Commission, and it is only right that I should acknowledge in the most ample way the great value of his services.

I should also add that the total estimated cost of the finished project was \$3,500,000, and that the actual cost as determined by the contracts let, comes well within that figure. From this it follows that the estimated H.P. rates given the municipalities are safe and assured.

(4) REFERENCE UPON VESTED INTERESTS.

I have already made passing reference in two or three places to the effect of the work of the Commission upon vested interests. I shall briefly summarise these and add one or two additional remarks.

At Port Arthur the Kaministiquia Power Company's interests have been distinctly steadied and improved by the mediation of the Commission between that Company and the Municipality of Port Arthur. The same effect has been secured at Ottawa.

In the Niagara peninsula there are four Canadian Companies, viz: The Canadian Niagara Company, The Ontario Power Company, The Hamilton Cataract Company, and the Electrical Development Company. The Canadian Niagara Company has not been affected at all by the work of the Commission. Its activities are entirely on the American side of the river. The Ontario Power Company has been strengthened by the acquisition of a contract to supply the Commission with anything from 6,000 to 100,000 H.P. Its position has been distinctly and greatly improved by this contract. The contract was made at a low and very favourable rate for the Commission, but it constituted for the Ontario Power Company purely additional business, which enabled it to improve its position even by the acceptance of a low price. The Hamilton Cataract Company is still carrying on as heretofore a large and successful business.

The smoke of battle has gathered mostly over the head of the Electrical Development Company. It was offered -- but it declined -- the privilege of supplying the Commission with a part of its requirements. It remains in full possession of its Toronto line, its Toronto customers, and its Toronto contracts, and it will doubtless sell at profitable rates, for all time, as much power as it can produce. All the talk of the injury inflicted upon this concern may be brought to a

very simple test. Have its securities appreciated or depreciated in value? The lowest price of its bonds in 1907 was 72 and the highest 84. In 1909 the lowest price rose to 82-1/4 and the highest to 90-1/4. If this Company had been injured in any degree by the Commission, the market prices of its bonds would have reflected the injury. On the contrary, they have steadily improved in value.

To sum up; The Commission is not engaged in the generation of power in competition with existing Companies; it has violated no contract, nor has it employed coercion in its dealings with them; instead it has strengthened several such, by purchasing from them large quantities of power and establishing them on a firmer contract basis.

By the construction of its transmission lines, it proposes to distribute much of the power so purchased throughout parts of Ontario that no existing Company is in a position to distribute. The wreckage of vested interests with which -- according to many papers -- Ontario is covered, is not visible to any search party that I have been able to organise. As a matter of fact, while the public has already received great, and will yet receive greater benefits from the work of the Commission, vested interests of private companies have been justly dealt with and have been greatly strengthened.

(5) THE PROBABLE FUTURE OF THE COMMISSION.

If the construction project now nearing completion answers, as I have every confidence it will, the expectations formed of it, the future of the Commission will be devoted to the completion of the work begun. The Government is not a Trustee for the interests of any particular group of municipalities, or any particular part of the people, to the exclusion of the rest. Its obligations are the same to all the people and all their municipal institutions. In prosecuting this work, how ever, just as it will not be deterred by slander, neither will it be hurried by impatient clamor. It will proceed cautiously and prudently step by step, testing and proving its way, that its progress may be real and enduring. An abundant supply of motive power is to the manufacturing arts what blood is to the human body. It is their very life. And upon the progress of the manufacturing arts, depends the future of this country in the international markets of the world. Supremacy in these arts gives employment and prosperity to the people at home, influence and power to the country abroad, and in combination with the unbounded granaries of the West, it assures to the Dominion a beneficent as well as an honorable place in the civilisation of that -- as yet unshaped -- Imperial future to which we all look forward. Nor would I forget the patient toilers on the land. Back of, and sustaining the manufacturing arts, are the great agricultural classes -- the keepers of the granaries of empire -- the ultimate source and foundation of moral and political strength, as well as of material greatness; they fill the great birthplace of "Men" -- who alone can make and keep a nation great.

To raise the scale, by multiplying and cheapening the comforts of life, for these great classes, is one of the prime objects of the Commission. That it will ultimately be accomplished I have no manner of doubt. This is the task to which I have set my hand. This is the task to which I shall devote my public life. It is no ignoble

work. I am not ashamed of it. I am well assured that the villification of the present will give place to the vindication of the future. Its consummation will contribute to national strength and national greatness. I hope and believe that the work so initiated in my own Province will be carried forward by the National Commission in all the departments of our national heritage.

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